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2-4-03

PRI-102

PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the Application of:

SRIKANTH SANKARAN

Serial No.: 09/501,154

Filed: February 9, 2000

For: METHOD AND SYSTEM FOR  
INTERACTIVE INITIAL  
OFFERING OF MULTI-CLASS  
FINANCIAL INSTRUMENTS

Art Unit: 2165

Examiner: Nguyen, Nga

**RENEWED REQUEST FOR CORRECTED FILING RECEIPT**

Office of Initial Patent Examination  
Customer Service Center  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

Further to Applicants Request for Corrected Filing Receipt originally filed on May 16, 2003, this is a Renewed Request For Corrected Filing Receipt in view of the inventorship change in this application. For the convenience of the Patent and Trademark Office, attached is a photocopy of the original receipt on which the requested correction has been noted.

If any fees are necessary to act upon this request, the Patent Office is authorized to charge Deposit Account No. 50-1390.

RECEIVED  
NOV 24 2003  
GROUP 3600

Serial No.: 09/501,154  
Art Unit: 2165

Attorney's Docket No.: PRI-102  
Page 2

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Date: November 19, 2003

Respectfully submitted,

SRIKANTH SANKARAN

By:

  
Lawrence D. Eisen  
Registration No. 41,009

Attachment: Marked Up Copy of Filing Receipt

LDE/dkp

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Document #: 1235410 v.1

**FILING RECEIPT**

  
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**UNITED STATES DEPARTMENT OF COMMERCE  
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COMMISSIONER OF PATENT AND TRADEMARKS  
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APPLICATION NUMBER	FILING DATE	GRP ART UNIT	FIL FEE REC'D	ATTY.DOCKET.NO	DRAWINGS	TOT CLAIMS	IND CLAIMS
09/501,154	02/09/2000	2768	591	PRI-102	17	30	7

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1001 Pennsylvania Avenue NW  
Washington, DC 20004-2595



Date Mailed: 04/24/2000

Receipt is acknowledged of this nonprovisional Patent Application. It will be considered in its order and you will be notified as to the results of the examination. Be sure to provide the U.S. APPLICATION NUMBER, FILING DATE, NAME OF APPLICANT, and TITLE OF INVENTION when inquiring about this application. Fees transmitted by check or draft are subject to collection. Please verify the accuracy of the data presented on this receipt. If an error is noted on this Filing Receipt, please write to the Office of Initial Patent Examination's Customer Service Center. Please provide a copy of this Filing Receipt with the changes noted thereon. If you received a "Notice to File Missing Parts" for this application, please submit any corrections to this Filing Receipt with your reply to the Notice. When the PTO processes the reply to the Notice, the PTO will generate another Filing Receipt incorporating the requested corrections (if appropriate).

**Applicant(s)**

Srikanth Sankaran, Winnetka, IL ;  
Douglas T. Chorna, Delray Beach, FL  
Continuing Data as Claimed by Applicant

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NOV 24 2003  
**GROUP 3600**

**Foreign Applications**

If Required, Foreign Filing License Granted 04/21/2000

**\*\* SMALL ENTITY \*\*****Title**

Method and system for interactive initial offering of multi-class financial instruments

**Preliminary Class**

705

Data entry by : HALL, ELMIRA

Team : OIPE

Date: 04/24/2000



Crowell &amp; Moring LLP

APR 27 2000

RECORDED

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**PLEASE NOTE the following information about the Filing Receipt:**

- The articles such as "a," "an" and "the" are not included as the first words in the title of an application. They are considered to be unnecessary to the understanding of the title.
- The words "new," "improved," "improvements in" or "relating to" are not included as first words in the title of an application because a patent application, by nature, is a new idea or improvement.
- The title may be truncated if it consists of more than 600 characters (letters and spaces combined).
- The docket number allows a maximum of 25 characters.
- If your application was submitted under 37 CFR 1.10, your filing date should be the "date in" found on the Express Mail label. If there is a discrepancy, you should submit a request for a corrected Filing Receipt along with a copy of the Express Mail label showing the "date in."

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Office of Initial Patent Examination  
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Washington, DC 20231

#16 NT  
12-4-01

RESPONSE UNDER 37 C.F.R. 1.116  
EXPEDITED PROCEDURE  
EXAMINING GROUP NO.: 3628  
**PATENT**

**PRI-102**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the Application of:

SANKARAN ET AL.

Serial No.: 09/501,154

Filed: February 9, 2000

For: METHOD AND SYSTEM FOR  
INTERACTIVE INITIAL  
OFFERING OF MULTI-CLASS  
FINANCIAL INSTRUMENTS

Art Unit: 3628

Examiner: NGUYEN, NGA B.

**REQUEST FOR RECONSIDERATION**

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NOV 24 2003

**GROUP 3600**

Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

Applicants respectfully request reconsideration of the final rejection set forth in the Office Action mailed September 3, 2003.

Examiners Nguyen and Sough are thanked for the courtesies extended to Applicants' representative during the personal interview conducted November 5, 2003. The substance of that interview is incorporated into the following remarks.

Preliminarily, filed concurrently herewith is a Renewed Request for Corrected Filing Receipt. A corrected Filing Receipt should properly indicate that Douglas T. Chorna is also a named inventor on this application. Applicants' representative was shown, during the interview, that the Patent Office's electronic files have been properly updated with this inventorship

change, but the Patent Office has yet to formally acknowledge this change to the Applicants in the form of a corrected Filing Receipt.

In the Office Action mailed September 3, 2003, claims 1-6<sup>1</sup>, 8, 9, 11-14, 16, 17, 20-22, 24-26, 28 and 30 were rejected under 35 U.S.C. §102(b) as being anticipated by Woolston, U.S. Patent 6,202,051 ("Woolston"). Further, claims 7, 10, 15, 18, 19, 23, 27 and 29 were rejected under 35 U.S.C. §103(a) as being unpatentable over Woolston. These grounds of rejection are respectfully traversed.

As will be made clear in the following discussion, Woolston fails to disclose several significant and fundamental features of the claimed invention.<sup>2</sup> Moreover, these significant and fundamental features were recited in the claims of the present application even at the time of the first Office Action was issued. Moreover still, many of these distinguishing features were discussed during a personal interview conducted after the issuance of that first Office Action and were the subject of the remarks section in the Amendment filed May 8, 2003. Because Applicants are being forced to again address issues that were understood to be resolved, Applicants believe that they are being prejudiced (in terms or time, money, and potential patent term) by the present examination proceedings. Applicants, therefore, respectfully request that the following remarks be carefully considered and that should any further Office Action be

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<sup>1</sup> Claim 2 was cancelled in the Amendment filed May 8, 2003, as acknowledged in numbered paragraph 2 on page 2 of the September 3 Office Action.

<sup>2</sup> Many, if not all, of these same arguments apply also to the previously applied reference, namely Halbert et al., U.S. Patent 6,101,484.

deemed to be necessary, that such Office Action be carefully reviewed by the Patent Office prior to being mailed to the Applicants.

### **DISCUSSION OF THE INVENTION**

As explained during the interview, the present invention is directed to systems and methods for improving the initial offerings of multi-class instruments, such as multi-class financial instruments. Indeed, the title of the invention is Method and System for Interactive Initial Offering of Multi-Class Financial Instruments.

Conventionally, in the financial industry, an underwriter that is interested in offering multi-class instruments must first purchase all of the underlying collateral and then attempt to sell various classes of multi-class instruments in a way that the underwriter determines to be the most enticing to investors. Significantly, to be successful, the underwriter must sell all of the classes at a predetermined target price. Accordingly, the underwriter is highly susceptible to significant risks before and until all of the classes are sold.

As discussed at page 11, lines 10-17 of the present application, while electronic trading systems have been developed for various financial products, these systems are designed to handle only a single class of an instrument at a time.

To improve upon the state of the art, the present invention provides a system and method that enables an underwriter to enter a detailed description of underlying collateral, a description of associated classes and details of cash flow allocation rules for each of the classes, as well as administrative costs and the underwriter's target profit. This information is then used in a substantially real-time electronic exchange in which investors send bid information, including a

desired amount of collateral and price, to the underwriter for further analysis. A result of this analysis includes the possibility of translating offerings of one type of collateral into another type of collateral to thereby adjust (or equalize) the cash flows of given classes of multi-class instruments to encourage each instrument's overall desirability to investors participating in the transaction. Once the analysis is complete and equalization is performed, the system indicates or signals to the underwriter precisely how much collateral to purchase to underwrite the several "reconstituted" classes of the multi-class instrument that have been sold. Pages 30-34 of the present application set forth a detailed scenario in accordance with the present invention. Step "10)" on page 34 states that the system

immediately clears \$12 million of Class 2 and the \$4 million of Class 1 [and] signals the underwriter of the transaction. The underwriter buys \$12 million Treasury notes at par.

Thus, unlike the prior art, the present invention provides a system that avoids the risks to underwriters inherent in current market practice. Specifically, in accordance with the present invention, underwriters need not risk any capital until all classes, or some minimum amount of at least some of the classes, have been "sold." The system and method directly adapt to changing market conditions so that the underwriter bears little, if any, market risk.

To achieve the objectives of the present invention, a "structure database" is preferably loaded with definitions or characterizations of the various classes of the offered multi-class instrument, the underlying collateral, cash flow allocation rules, class structure, desired arbitrage profit and other parameters, including, the face value of individual classes and specific

information about the underlying collateral. With the foregoing information properly stored, the present invention preferably presents each class to potential investors, preferably separately, as indicated on page 22, lines 4-13 of the present application. Investors are then given the opportunity to bid on the individual classes that are presented to them, as illustrated in Figure 4 of the present application.

Then, unlike prior art systems, the present invention receives bids and, in response to those bids, repackages or reconstitutes the actual offerings by modifying the structure database and re-presenting different classes to investors while at the same time determining how much underlying collateral to purchase to underwrite the reconstituted classes (offerings). Thus, the present invention not only handles several different classes of a multi-class instrument simultaneously, but it also "plays" one class against another to obtain the best price point and amount of collateral to underwrite each of the classes of the multi-class instrument.

As will be discussed in detail below, the claims of the present application recite one or more of the features described above. And, these features are neither disclosed nor suggested by the prior art of record.

#### **THE PRIOR ART**

Woolston is directed to facilitating internet commerce through internetworked auctions. Woolston describes auctioning uniquely identified items using a computerized electronic database accessible via the internet. Each item is presented for auction to an audience of participants. A data record associated with each item connotes an ownership interest in the item

to a seller participant. Bids are received on the item from participants on the internet through an auction process that executes in conjunction with the computerized database.

Woolston describes a “consignment node” at which used goods may be put up for auction via the internet. Column 3, lines 9-15 explain that a consignment node includes a computer 10, a digital camera 12, a barcode scanner 14, a display 16, a printer 20, a keyboard 18, a database 22 and a network connection 26. Accordingly, it is abundantly clear from any reading of Woolston that the products being sold are unique physical items, such as used antique pens (see, e.g., col. 2, line 55).

Woolston also describes a “market maker” node that allows goods to be concentrated for a single electronic auction or virtual collectible market on a market maker consignment node. See column 13, lines 20-31.

Woolston further discloses that a participant may make an offer on a good below the asking “or offered” price. Such a proposed offer may be stored by the consignment node and used to notify the good owner. The good owner may then accept the counter-offer or reject. See column 13, lines 59-63.

The following is a claim-by-claim analysis with respect to Woolston.

**Independent claim 1**

Independent claim 1 recites a system for offering a multi-class instrument. While the claim does not expressly recite a system for “initial” offering, this term would be clearly inferred by those skilled in the art, since an underwriter (discussed more fully below) is involved and an underwriter, in the financial services industry, is typically only involved in initial offerings.

Also, the recited multi-class instrument is clearly a financial multi-class instrument, as further detailed by, for example, dependent claim 7, which recites a kind of financial instrument, not that the multi-class instrument is a financial instrument. Applicants submit that just an inspection of the preamble of claim 1 would render Woolston completely irrelevant to the claimed invention. Specifically, Woolston says nothing about initial offerings, let alone offerings of financial multi-class instruments.

It is noted that claim 7 was rejected as being obvious over Woolston. The Examiner cites col. 16, lines 52-60 of Woolston as suggesting that the highly-specialized and elaborate financial multi-class instruments recited by the claims would be obvious in view of jewelry, rugs, tapestry, tools, quilts, furniture, etc. That one skilled in the art would be motivated to auction financial multi-class instruments in view of the disclosure of Woolston is, it is respectfully submitted, completely without merit.

Independent claim 1 further recites a “structure database” that stores a structure representative of a plurality of classes of the multi-class instrument and recites that the system receives bid information, modifies the structure database in response to the bid information, and ultimately, notifies an underwriter of an amount of collateral to purchase in view of the bid information received.

These limitations are nowhere found in Woolston. While Woolston describes a consignment node or market maker that operate a database, such a database in no way resembles the claimed “structure database.” The “structure” of the structure database corresponds to the structure of a multi-class instrument. Such a structure (e.g., principal, cash flow, interest rate,

etc., as it would necessarily be understood by one skilled in the art) is completely irrelevant to describing or quantifying the numbers of or price for a rug, tapestry or piece of furniture. Thus, Woolston could never have contemplated such a "structure database."

Also, Woolston does not describe modifying a structure database in view of received bid information. In accordance with the present invention, the offerings of the underwriter (i.e., the multi-class instrument classes being offered), to auction participants, are altered or modified in view of the bid information received. This feature is claimed by stating that the system operates to "modify the structure database in response to bid information." In other words, the item itself (the class) that is being offered is changed in view of bid information. While Woolston might describe changes in price or quantity for a particular item, Woolston is completely silent with respect to altering or changing what is being offered in the first place. For example, Woolston does not describe offering a rug, instead of a previously offered tapestry, in response to bid information.

Finally, and perhaps most importantly, Woolston fails, without question, to disclose an "underwriter" or that an underwriter is notified of an amount of collateral to purchase in view of the bid information received.

During the course of the interview, Applicants' representative pointed out several times that it appeared that the Patent Office was not lending any patentable weight to the term "underwriter." This term is recited in each of the independent claims. An "underwriter," as would be readily understood by one skilled in the art of financial services, is an entity that purchases financial instruments from one entity and markets them to other entities. The

American Heritage College Dictionary, Third Edition, defines "underwrite" as guaranteeing "the purchase of (a full issue of stocks and bonds)." The Examiners maintained that any participant in an auction according to Woolston could be considered to be an "underwriter" since such a participant could first be a buyer of an item, and then turn around and become a seller of that same item in the auction setting. It is respectfully submitted that such a construction of the term "underwriter" flies in the face of the well-accepted definition of an underwriter in the financial services industry, to which the present invention is clearly directed.

According to the Examiner's interpretation, anyone can be an "underwriter." As such, it appears, in fact, that no patentable weight is being given to the term "underwriter," and Applicants strongly submit that a failure to provide adequate and proper weight to terms in patent claims is improper.

The term "underwriter" deserves the proper consideration in this application. As described throughout the present specification, the underwriter has a central role in first offering several classes of a multi-class instrument to potential buyers, receiving bids for those several classes of the multi-class instrument, and thereafter buying and then reselling underlying collateral in accordance with the configurations of the modified structures of the several classes of the multi-class instrument.

Woolston is completely void of anything having to do with an underwriter's role in buying and selling anything. Woolston only describes a system and method that provides a venue (a consignment node or a market maker) through which a seller and a plurality of buyers can negotiate a particular price for, and perhaps quantity of, a particular item. The operator of

the system described by Woolston does not buy or sell listed items. The operator in Woolston is merely a facilitator of the buying and selling. Claim 1 of the present application recites that the underwriter is notified of an amount of collateral to purchase in view of the bid information received. Using the Examiner's definition of an underwriter, there would be absolutely no reason why a participant who has just bought an item would have to be notified of an amount of the item to buy in order to then turn around and sell that item. So, even under the Examiner's improperly broad interpretation of "underwriter," Woolston fails to disclose or even remotely suggest the notification feature of the claimed invention, as recited in claim 1.

Thus, claim 1 is distinguishable from Woolston for several reasons. First, Woolston does not disclose offering multi-class instruments in the context of pending claim 1. Nor does Woolston describe modifying a "structure database" in response to bid information, wherein the structure database stores a structure representative of a plurality of classes of a multiclass instrument. Woolston is also entirely absent a description of an underwriter, and certainly fails to describe notifying an underwriter of an amount of collateral to purchase in view of received bid information. Woolston teaches selling (auctioning) items already owned, whereas the presently claimed invention requires that underlying collateral be purchased only after bids are received, and in view of those bids.

Again, the presently claimed invention relies upon an underwriter that both buys and sells financial instruments and acts as a middleman between the original seller of the instruments and the ultimate buyers of financial instruments, which are in a different configuration from the underlying collateral that is purchased.

For at least these reasons, Applicants submit that claim 1 is allowable over Woolston.

**Independent Claim 8**

Independent claim 8 recites subject matter similar to independent claim 1, but is somewhat different in that, here, it is recited that a computer is operable to determine an amount of collateral that an underwriter should purchase to underwrite "the classes." "The classes" correspond to the previously-recited "at least two classes" of a multi-class instrument.

Accordingly, independent claim 8 expressly requires that an amount of collateral be determined to be purchased to underwrite two different classes of a multi-class instrument. This, perhaps, even better recites a very significant feature of the present invention, wherein the underwriter offers several different classes of a multi-class instrument to investors and then purchases underlying collateral to enable the underwriter to actually sell the two different classes of the multi-class instrument to the investors.

Woolston absolutely and completely fails to disclose a system wherein an amount of collateral to purchase is determined in order to underwrite two different classes of a multi-class instrument. For example, Woolston does not disclose receiving a bid for a first rug and a first tapestry and then another, separate, bid for a second rug and a second tapestry, and then determining to purchase two rugs and two tapestries in order to enable the sale of one each of a rug and a tapestry to the bidders.

Accordingly, Applicants respectfully submit that independent claim 8 is distinguishable from Woolston for at least these reasons.

**Independent Claim 14**

Independent claim 14 recites a method for offering a multi-class instrument wherein it is absolutely clear that initial offers are presented to buyers, counter offers are received, those counter offers are accepted and, only then, an amount of collateral to purchase by an underwriter is indicated to the underwriter to underwrite the counter offer positions. Accordingly, independent claim 14 precisely and expressly recites an order of events and how an underwriter operates in the context of such a process. Namely, couter offers are first accepted (i.e., buyer commitments are received) and only then is underlying collateral purchased.

Woolston simply fails to disclose or to suggest anything along the lines recited in independent claim 14.

**Independent Claim 17**

Independent claim 17 includes many of the same limitations included in independent claim 14, but uses the term “bid” rather than “counter offer.” Accordingly, for at least the reasons explained above with respect to independent claim 14, it is respectfully submitted that claim 17 is patentably distinguishable from Woolston.

**Independent Claim 21**

Independent claim 21 is directed to the specific process of modifying, in the underwriter's computer, what precisely is being offered to auction participants. Specifically, claim 21 recites receiving, at an underwriter's computer, counter offers in response to the offered plurality of classes, modifying, at the underwriter's computer, the structure of at least one of the classes of the multi-class instrument in view of the counter offers, and re-offering, via the remote

computers, the plurality of classes of the multi-class instrument. In other words, independent claim 21 requires that several classes of a multi-class instrument be offered at the same time, that the structure of at least one of those classes be modified in view of counteroffers received and that all of the classes of the multi-class instrument are then re-offered to auction participants. Once again, Woolston fails to disclose or to even remotely suggest anything having to do with an underwriter or anything having to do with modifying the underlying nature of what is being offered to auction participants.

For at least these reasons, Applicants respectfully submit that independent claim 21 is allowable over the prior art of record.

**Independent Claim 25**

Independent claim 25 recites subject matter that is similar to independent claim 21 and should, therefore, be allowable over Woolston for at least the same reasons.

**Independent Claim 30**

Independent claim 30 recites what actually occurs within the computer run by an underwriter in accordance with the present invention. Specifically, investor amount and prices are matched against amount and price of respective classes stored in a class structure database. Since, in accordance with the present invention, it is possible that investors may not want to purchase exactly what is being offered, the system operated by the underwriter conducts price and amount equalization among the respective classes in view of the investor amount and prices. Thereafter, investor amount and prices are re-matched with the equalized price and amount and, only then, is collateral purchased in conformance with the equalized price and amount. Thus,

independent claim 30 recites a method in which an underwriter receives offers for multi-class instruments from an investor, "mixes and matches" the class structures in a database to match the investor amount and prices by conducting price and amount equalization, and then purchases collateral to enable the sale of the multi-class instrument.

In the Office Action, the step of conducting "price and amount equalization among the respective classes" is alleged to be disclosed by col. 10, lines 53-56 of Woolston. That portion of Woolston states:

The auction process gets the first item to be auctioned 252 from the database of goods to be auctioned 254. The consignment node then calculates the opening bid 256 by a predetermined formula such as 50% of the reserve or general solicitation of an opening bid is posted to the auction participants 258.

If anything, the cited and relied upon section merely describes how to set an opening bid on a particular item. It says nothing whatsoever about conducting price and amount equalization among the respective classes in view of the investor amount and prices. This is, perhaps, the key feature of the present invention wherein the underwriter can change the structure of a class of a multi-class financial instrument to provide to a potential investor precisely what that investor is looking for.

The present invention is not simply a system for changing price and amount in an electronic auction for a single class of a financial instrument, which is admitted by the Applicants to be prior art. Rather, the presently claimed invention requires price and amount

equalization among the respective classes, as recited by claim 30. This limitation requires that the inherent "item" that is being sold via the auction in accordance with the present invention is itself changed in view of the bids received. There is nothing in Woolston that would suggest changing an underlying item for sale. At most, Woolston discloses determining an opening bid for a given item, and perhaps, changing the number of those items that are to be sold.

In view of the forgoing, Applicants respectfully submit that independent claim 30 is also allowable over the Woolston reference.

Finally, Applicants note that each of the dependent claims rejected under §102(b) as anticipated by Woolston or under 35 U.S.C. §103(a) as being unpatentable over Woolston should be allowable over the applied reference for at least the same reasons that their respective dependent claims are allowable.

Moreover, and as mentioned above, the dependent claims that recite the specific type of financial instruments being offered via the present invention would, contrary to the Examiner's contention, never have been suggested by Woolston. To assert that Woolston suggests auctioning financial instruments by disclosing auctioning physical items such as pens, rugs and tapestries, appears to mean that the Patent Office takes the position that it is per se obvious to auction anything. However, this clearly cannot be the position of the Patent Office, as such a positions is not supported by the case law.

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Page 16

In view of the foregoing all of the claims in this case are believed to be in condition for allowance. Should the Examiner have any questions or determine that any further action is desirable to place this application in even better condition for issue, the Examiner is encouraged to telephone Applicants' undersigned representative at the number listed below.

SHAW PITTMAN LLP  
1650 Tysons Boulevard  
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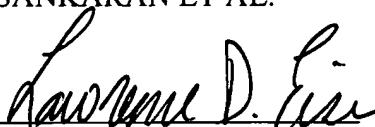
Date: November 19, 2003

Customer # 28970

AB/LDE

Respectfully submitted,

SANKARAN ET AL.

By:   
Lawrence D. Eisen  
Registration No. 41,009

Document #: 1260149 v.1